

## Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 EB-11 COME-00 OPIC-12 XMB-07 L-03

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 PA-03 PRS-01

USIA-12 AID-20 DOTE-00 RSR-01 /099 W

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R 052005 Z JUL 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 3180

INFO AMEMBASSY GUATEMALA

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E. O.: 11652 N/ A

TAGS: EFIN; ES

SUBJECT: SITREP ON IRCA/ GMC

REF: SAN SALVADOR 2245

1. SUMMARY: GM' S SALVADORAN LAWYER, DR. ORTIZ MANCIA, IS PRESENTLY COMPLYING WITH GM' S JUNE 26 INSTRUCTION TO PRESENT THREE VARIATIONS OF SALE OF LOCOMOTIVES TO GOES AND EXPECTS A RESPONSE BY JULY 13. IRCA MANAGER LESLEY RETURNED TO HIS OFFICE JUNE 28, FOUND HIS DESK OCCUPIED BY LIC. BATISTA MENA, CHAIRMAN OF GOES' SUBCOMMITTEE AND RECENTLY APPOINTED AN IRCA- PAID ASSISTANT INTER-

VENTOR ( PER REFTEL,) AND CONCLUDED THAT THE INTERVENTION WAS VIRTUALLY COMPLETE. IRCA' S FINANCES REMAIN REASONABLY GOOD BUT IT ANTICIPATES UTILIZING OVERDRAFT FACILITY BY MID- JULY. IRCA' S UNION AND THE PUBLIC MEDIA CONTINUE TO BE QUIET ON THE ISSUE. END SUMMARY.

2. GM' S ATTORNEY, DR. ORTIZ MANCIA, RECEIVED INSTRUCTIONS JUNE 26 FROM GM' S WITTHAUS CONVEYING TO GOES ITS WILLINGNESS TO ACCEPT MINIMUM PRICE OF \$1.2 MILLION ( REPORTED SS 2068), PROVIDED THAT GOES' LETTER OF INTENT IS SIGNED BY AN AUTHORIZED OFFICIAL. WITTHAUS STRESSED, HOWEVER, GM' S BELIEF THAT REAL DEPRECIATED VALUE OF THE 16 LOCOMOTIVES IS THAT DETERMINED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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BY PEAT, MARWICK, MITCHELL AND CO., I. E. \$1,427,000 ON JUNE 30, 1973, AND THAT DR. ORTIZ MANCIA SHOULD ATTEMPT FIRST TO ACHIEVE THIS SALES PRICE WHICH WOULD INCLUDE A 90- DAY GUARANTEE. ALTERNATIVELY, WITTHAUS OFFERED TO ACCEPT A SALE FOR

ONE MILLION DOLLARS BUT WITHOUT GUARANTEE ( WE' RE NOT CLEAR IF THIS MEANS AN " AS IS" BASIS) AND WITH COST OF SPARE PARTS TO BE ADDED. DR. ORTIZ IS IN CONTACT WITH THE GOES' SUBCOMMITTEE CHAIRMAN LIC. BATISTA MENA AND HOPES TO HAVE SOMETHING TO REPORT TO GM ( AND EMBASSY) BY JULY 13.

3. IRCA GENERAL MANAGER JOSEPH LESLEY AND LAWYER DR. TRIGUEROS CALLED ON EMBOFF JUNE 29 TO REPORT THE SITUATION AS THEY SAW IT. LESLEY RETURNED FROM GUATEMALA A. M. JUNE 28, WENT DIRECTLY TO HIS OFFICE, AND FOUND HIS DESK OCCUPIED BY RECENTLY APPOINTED ASSISTANT INTERVENTOR BATISTA MENA. DESPITE SOME EMBARRASSMENT ON THE PART OF THE LATTER, INTERPRETED AS CAUSED BY LESLEY' S UNEXPECTED ARRIVAL, LESLEY WAS NOT GIVEN HIS DESK DURING THE TWO-DAY VISIT BUT WAS TOLD THAT PLANNED OFFICE ALTERATIONS WOULD INCLUDE A DESK FOR HIM. LESLEY OBSERVED THAT THEY WERE CHANGING THE LOCKS ON HIS DESK. LESLEY CITED THE FOLLOWING AS SUBSTANTIATING HIS VIEW THAT THE " INTERVENTION" IS VIRTUALLY COMPLETE, HAVING MOVED FROM THE PREVIOUS POST AUDITING OF FINANCES, TO PRE- AUDIT, AND NOT OPERATIONAL

MANAGEMENT: 1) BATISTA TRIED TO CHANGE ACCOUNTING FORMS BUT WAS DISSUADED BY IRCA MANAGER GAITAN ( WHOM LESLEY SAID IS NOW SHOWING DISENCHANTMENT WITH GOES MEDDLING); 2) BATISTA ON SEVERAL OCCASIONS HAS SENT INSTRUCTIONS ON HIS OWN TO THE YARD SUPERINTENDENT; 3) BATISTA CHARGED TO IRCA 100 COLONES AS UNWARRENTED EXPENSE IN USE OF PERSONAL CAR; 4) INTERVENTOR SILVA ATTEMPTED TO EMPLOY AN ENGINEER BUT WAS SUCESSFULLY THWARTED BY GAITAN.

4. GAITAN TOLD LESLEY THAT IRCA UNION REPRESENTATIVES SPOKE WITH BATISTA DESPITE THE LATTER' S RELUCTANCE TO RECEIVE THEM. LESLEY LEARNED NOTHING OF THE EXCHANGE. DURING A TOUR OF THE YARDS, LESLEY SPOKE TO EMPLOYEES AND SENSED A GENERAL DEMORALIZATION. SEVERAL ASKED WHAT THEIR FUTURE WOULD BE UNDER GOVERNMENT OWNERSHIP AND LESLEY RESPONDED THAT, ALTHOUGH HE KNEW NOTHING CONCERNING GOES PLANS, WHEN THE GOG TOOK OVER IRCA IT HAD RESPECTED EMPLOYEES' POSITIONS AND RIGHTS. PERHAPS SUR-LIMITED OFFICIAL USE  
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PRISINGLY THE UNION HAS KEPT ITS CONCERNS PRIVATE; NEITHER THE LABOR OR OWNERSHIP ASPECT OF IRCA HAS RECEIVED THE MEDIA SPOTLIGHT RECENTLY.

5. FINANCIAL: LESLEY SAID IRCA HAS EXPERIENCED AN UNEXPECTEDLY GOOD EARLY 1973. HE SAID PROFITS IN THE FIRST QUARTER WERE \$199,000; LOSSES IN APRIL WERE \$48,000 AND THE ROAD PROBABLY BROKE ABOUT EVEN IN MAY. THE FIRM' S OVER-DRAFT FACILITY WILL PROBABLY BE UTILIZED BY MID- JULY. LESLEY SAID IRCA IS MEETING CURRENT PAYMENTS TO FEUGA ( GUATEMALA) OF SOME \$20,000 A MONTH. ALTHOUGH OWING FEUGA SOME \$139,000, LESLEY SAID THAT IRCA HAS TRIED FOR ALMOST TWO YEARS TO GET

RESPONSES FROM FEUGA TO REQUESTS TO RE- NEGOTIATE TARIFF RATES, NEGOTIATIONS WHICH COULD AFFECT THESE ARREARAGES. AN ADDITIONAL FINANCIAL BURDEN IS THE \$1,240 PAID PER MONTH TO BATISTA MENA AND THE TWO EMPLOYEES APPOINTED BY SILVA TO THE " AUDITORIA PREVENTIVA" ( PRE- AUDIT). LESLEY HAS NOT RECEIVED ANY SALARY FROM IRCA NOR REIMBURSEMENT FOR EXPENSES SINCE MARCH, AND HE SAID NO RELIEF HAD BEEN OFFERED BY IRCA LAWYER WEBER. LESLEY HAD NO PROBLEMS WITH GOES TAX AUTHORITIES ON THIS LAST VISIT. HE PLANS TO RETURN IN ABOUT A WEEK.

6. LESLEY SAID THAT SHOULD THE 16 LOCOMOTIVES BE LOST TO IRCA' S OPERATIONS IT WILL BE LEFT WITH THREE SWITCH ENGINES AND COULD NOT OPERATE. HE SAID HE UNDERSTOOD THAT GM AND THE GOES WERE FAR APART IN PRICE; ALSO THAT THE GOES HAD APPROACHED CABEI FOR FINANCING. IT WAS HIS VIEW THAT IRCA WOULD NOT CONTEST, EITHER IN EL SALVADOR OR THE U. S., GMC' S CURRENT CLAIM TO CLEAR TITLE TO THE 16 LOCOMOTIVES; IRCA' S BOOKS WITH THE OUTSTANDING DEBT IDENTIFIED SPEAK FOR THEMSELVES ON THE ISSUE OF OWNERSHIP. IN THE DISCUSSION IT OCCURRED TO LESLEY AND TRIGUEROS THAT IN THE OPTIONS PRESENTED TO THE GOES IN SEPTEMBER 1972, NO PROVISION HAD BEEN MADE FOR POSSIBLE LEASING OF THE LOCOMOTIVES FROM A NEW OWNER, E. G., GOES, NOR HAD THEY CONSIDERED HOW THEY WOULD EXIST WHEN THE INEVITABLE REPOSSESSION HAPPENED LESLEY SAID THAT APPROXIMATELY 140 RAILROAD CARS OWNED BY IRCA/ EL SALVADOR ARE IN GUATEMALA AND IRCA IS PRESSING FEUGA FOR THEIR RETURN.

7. LESLEY FEELS THAT THE ACCELERATED INTERVENTION BY THE GOES OCCURRED AFTER THE GOES AND GM HIT AN IMPASS ON PRICE. HE AND  
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TRIGKEROS WERE CLEARLY CONCERNED FOR THE FUTURE AND OBVIOUSLY VIEW THE OUTCOME OF THE GM NEGOTIATIONS AS PIVOTAL. FROM IRCA' S POINT OF VIEW THE DISCUSSIONS ON POSSIBLE RENEGOTIATION OF THE AVALOS- KEILHAUER CONTRACT ARE IN SUSPENSE AT THE DECISION OF THE GOES. IRCA SUBMITTED ITS FUTURE OPTIONS TO THE GOES COMMISSION LAST SEPTEMBER AND STILL AWAITS THE GOES REPLY. THEY SAID THEIR ATTEMPTS TO SEE THE ECONOMIC MINISTER OR THE PRESIDENT HAVE BEEN REBUFFED ( LESLEY SAID WEBER IS STILL SEEKING AN APPOINTMENT WITH PRESIDENT MOLINA THRU AMBASSADOR RIVERA). AS PER REFTTEL, IRCA' S POSITION WAS STATED IN A MAY 22 LETTER TO THE INTERMINISTERIAL COMMISSION ( COPY BEING POUCHED) IN WHICH THE ESCALATION OF INTERVENTION WAS PROTESTED. LESLEY DID NOT REFER TO FREQUENT COMMUNICATION WITH WEBER BUT DID SAY THAT ON RECENT LETTER SUGGESTED THAT WEBER MIGHT VISIT EL SALVADOR AROUND JULY 20.  
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